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Supreme Court, U.S.
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No. 04-31

In The Supreme Court of the United States

HOMAN MCFARLING,

Petitioner,

versus

MONSANTO COMPANY,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

SUPPLEMENTAL BRIEF

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TABLE OF CONTENTS

Page

SUPPLEMENTAL BRIEF 1

CONCLUSION 8

TABLE OF AUTHORITIES

CASES

Aspen Skiing Co. v. Aspen Highlands Skiing Corp., 472 U.S. 585 (1985) 7

Gottschalk v. Benson, 409 U.S. 63 (1972) 7

Monsanto Co. v. McFarling, 302 F.3d 1291 (Fed. Cir. 2002) 5

Monsanto Co. v. McFarling, No. 4:00CV84 CDP, 2002 WL 32069634 (E.D. Mo. Nov. 5, 2002) 2, 3

Monsanto Co. v. McFarling, 363 F.3d 1336 (Fed. Cir. 2004) 3

SUPPLEMENTAL BRIEF

Petitioner Homan McFarling filed his Petition for Writ of Certiorari on July 8, 2004. On October 12, 2004, the Court invited the Solicitor General to file a brief expressing the views of the United States on whether certiorari should be granted. Since the petition for certiorari was filed, the factual circumstances have changed: Monsanto has abandoned the legal claims that formed the basis of the Federal Circuit's opinion.

The change occurred during the damages phase of this case which is in the District Court for the Eastern District of Missouri. On April 26, 2005, the district court judge granted Monsanto's request to dismiss its claims for infringement of the '435 patent and for breach of contract, leaving only its claims for infringement of the '605 patent. *See* Appendix 1. The '435 patent is precisely the basis on which the Court of Appeals for the Federal Circuit rejected McFarling's antitrust and patent abuse claims. Given this fundamental change in the underlying circumstances of the case, it is appropriate to grant certiorari, vacate the opinion of the Court of Appeals and remand to that court for further proceedings. In the alternative, Monsanto's decision to withdraw from the case the very claims that supported the court's holding below make it all the more clear that Monsanto has sought to extend its intellectual property rights beyond their lawful scope with anti-competitive effect, and the Court should grant certiorari to review the ruling below.

Petitioner Homan McFarling used Monsanto's Roundup Ready® soybean seed to plant his 1998 soybean crop. Roundup Ready® seed, as the name suggests, are resistant to Monsanto's Roundup® herbicide, so that

Roundup® herbicide will kill weeds but not the soybean plants. The Roundup Ready® seed attain this resistance from a genetic modification on which Monsanto holds various United States patents. The '435 patent also purports to cover second-generation seed.

Farmers who purchase Roundup Ready® seed must execute a technology license entitled "Monsanto Technology Agreement" ("Monsanto Form Contract"). Pet. App. at 4.[1] Under the Monsanto Form Contract, the farmer must agree that he will not replant any second-generation seed that are produced from the purchased seed. *Id.* McFarling signed the Monsanto Form Contract in 1998. He saved seed from his 1998 crop, and replanted those seed in 1999. Monsanto learned of the replanting, and filed suit in January 2000, alleging, in relevant part, breach of the Monsanto Form Contract and infringement of two Monsanto patents. McFarling denied the allegations, and asserted defenses and counterclaims, including patent misuse and unreasonable restraint of trade. *Id.* at 6.

In 2002, Monsanto moved for summary judgment on breach of the Monsanto Form Contract and all of McFarling's defenses and counterclaims. *Monsanto Co. v. McFarling*, No. 4:00CV84 CDP, 2002 WL 32069634, at *1 (E.D. Mo. Nov. 5, 2002). The district court granted summary judgment on McFarling's patent-misuse defense because it viewed the Monsanto Form Contract as a "single use license" of the '435 patent, and argued that "[t]here is nothing unlawful about granting a single use license, and

[1] "Pet. App." references the Appendix to the original Petition for Writ of Certiorari.

a patent holder who has a lawful patent can't be liable for maintaining a monopoly of power based simply on refusing to license the patent to others. That's what a patent gives you." *Id.* at *4.

McFarling timely appealed to the Court of Appeals for the Federal Circuit, which affirmed the decision in relevant part. *Monsanto Co. v. McFarling*, 363 F.3d 1336 (Fed. Cir. 2004) Pet. App. at 7-13. The Federal Circuit, however, articulated a different rationale than the district court. The Federal Circuit recognized that the Monsanto Form Contract was more than a run-of-the-mill "single use license" because it sought to "control[] what McFarling can do with second-generation seeds" and, therefore, tried to impose "restrictions placed on goods made by, yet not incorporating, the licensed [first-generation seed]." *Id.* at 11-12. Put another way, the court recognized that the Monsanto Form Contract appeared to expand Monsanto's patent grant. Despite identifying this fundamental issue, the Federal Circuit nonetheless held that second-generation seed were "nearly identical copies" of the licensed first-generation seed, and that Monsanto's '435 patent "would read on all generations of soybeans produced." *Id.* at 12. The Federal Circuit, therefore, relied on *both* the Monsanto Form Contract and Monsanto's rights to the '435 patent in finding that McFarling's use of second-generation seed would infringe. Based on the Federal Circuit's existing, controversial interpretation of the Supreme Court's patent exhaustion doctrine, the court found it within Monsanto's patent rights to limit what McFarling did with second-generation seed. *Id.* The Federal Circuit rejected McFarling's claim that Monsanto was unlawfully tying the sale of seed to the sale of the

patented genetic "trait" on the theory that the '435 patent gave it the authority to do just this. Pet. App. 12-13.

McFarling timely sought certiorari. The principal question on which he seeks review is whether "a patent holder [may] lawfully prohibit farmers from saving and replanting seed as a condition to the purchase of patented technology."

The Federal Circuit's decisions were based squarely on Monsanto's now-withdrawn claims. Monsanto originally alleged infringement of two patents, the '435 and the '605, as well as breach of the Technology Agreement. While the now-withdrawn '435 patent contained claims specifically covering not only the genetically-modified soybean plants but also the "seed of a glyphosate-tolerant plant," U.S. Pat. No. 5,633,435, claim 79, the '605 patent remaining in the case is limited to the use of a particular promoter region within a genetically modified plant cell. U.S. Pat. No. 5,352,605; *see* Pet. App. at 3.

The Federal Circuit based its decision solely on infringement of the '435 patent and the breach of the Technology Agreement, and did not reach the question of whether the '605 patent could justify Monsanto's conditioning the right to purchase the valuable patented technology on purchase of new seed. The Federal Circuit's reliance on the now-abandoned '435 patent is evident throughout its opinions in this case. For example, McFarling argued in opposition to the preliminary injunction that the contractual prohibition against his saving seed was invalid under the patent exhaustion doctrine because it sought to give Monsanto control over its seed after they had been sold. The Federal Circuit rejected that argument

because it concluded that "[t]he restrictions in the Technology Agreement are within the scope of the ['435] patent grant, for the patents cover the seeds as well as the plants." *Monsanto Co. v. McFarling*, 302 F.3d 1291, 1298-99 (Fed. Cir. 2002). Thus, it concluded that the seed McFarling grew had never themselves been sold, but constituted the making of new and infringing copies of the patented invention. *Id.* at 1299. This conclusion was critically dependent on the presence of the '435 patent in the case because only that patent included claims covering the seed produced by the pollinated plant.

Similarly, the Federal Circuit's opinion upholding summary judgment rejected both McFarling's patent misuse defense and his affirmative antitrust counterclaim because it found that McFarling's saving of seed made new seed that infringed the '435 patent:

> Because the '435 patent would read on all generations of soybeans produced, we hold that the restrictions in the Technology Agreement prohibiting replanting of the second generation of ROUNDUP READY® soybeans do not extend Monsanto's rights under the patent statute.

Pet. App. at 11-12.

The Federal Circuit did not apply the remaining '605 patent to McFarling's conduct or conclude that that patent justified requiring a farmer to buy expensive new seed as a condition to purchasing the patented technology.

Similarly, Monsanto's Response to the Petition for Certiorari makes clear its reliance on the '435 patent and the breach of contract claims that it has now withdrawn. It begins the Argument section of its response by stating that

> The court of appeals correctly held in this case that (a) a patent holder does not exceed the scope of the patent grant and engage in a tying arrangement simply by virtue of exercising its right to exclude from certain uses of the patented invention . . .

Response to Petition at 6.

Monsanto goes on to argue that McFarling may be prohibited by license from saving seed, because "[t]his license restriction is well within the scope of Monsanto's patent right and constitutes a straightforward exercise of the right to exclude that is inherent in patent ownership." *Id.* at 7-8. Given the changed circumstances, the Federal Circuit's decision cannot stand. The Federal Circuit based its decision on its conclusion that because Monsanto held the '435 patent, which covered genetically-altered seed, Monsanto could lawfully require farmers to purchase seed as a condition to purchasing the patented technology. This holding is no longer defensible. Without the '435 patent, Monsanto's argument that it can prohibit farmers from saving and replanting the genetically-altered seed collapses. Only the '435 patent, not the '605 patent, claims seed.

Because Monsanto has now abandoned any claim that McFarling infringed the '435 patent or violated the Technology Agreement, the Federal Circuit's reasoning, in fact, expands Monsanto's patent grant well beyond what the patent statute provides. By allowing Monsanto to restrict what purchasers of its seed do with subsequent seed generations, the Federal Circuit extends Monsanto's patent monopoly to cover seed reproduction, a natural process. McFarling has not "made" new seed in violation of the patent; the seed he did buy grew into plants and produced new seed on their own as part of a natural biological process. Even Monsanto

admits that the patent monopoly specifically excludes products of nature. Cert. Opp. at 12; *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972) (holding that "[p]henomena of nature, . . . are not patentable . . . "). Whether or not the reproduced seed contain Monsanto's patented technology, that fact cannot help Monsanto because the asserted patents cannot lawfully cover seed reproduction. Monsanto has sought – and the Federal Circuit has allowed it – to use its licensing agreements to cover God-made seed that its patent cannot lawfully reach. This Court should give the Federal Circuit the opportunity to revisit its decision in light of the radically-changed nature of the case.

Reviewing this case is of national importance since Monsanto's "no replant" policy has outlawed farmers' century-old practice of saving their own seed for replanting. *Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*, 472 U.S. 585 (1985) found an antitrust violation because "the monopolist elected to make an important change in a pattern of distribution that had originated in a competitive market and had persisted for several years." *Id.* at 603. Monsanto's ban on seed-saving – which has the effect of subsidizing seed companies[2] at farmers' expense – is a "decision by a monopolist to make an important change in the character of the market." *Id.* at 603.

[2] Monsanto sells its Roundup Ready® seed through licensing agreements with approximately two hundred seed companies. These seed companies charge inflated prices for the seed. Because of the Monsanto licensing agreements, the seed companies, which did not invent the patented technology, reap subsidies from farmers by requiring that they buy new seed as a condition to being allowed to purchase the patented technology.

CONCLUSION

This Court should grant certiorari in order to vacate the Federal Circuit's opinion and remand for further proceedings. Alternatively, this Court should grant certiorari in order to correct the Federal Circuit's misapplication of principles of patent and antitrust law which require farmers to pay soybean seed companies artificially-inflated prices for new seed in order to purchase the patented technology.

Respectfully submitted,

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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

MONSANTO COMPANY Plaintiff, v. HOMAN McFARLING, Defendant.	)))))))))	Case No. 4:00CV84CDP

MONSANTO COMPANY'S STIPULATION

Monsanto Company hereby stipulates and withdraws Count I – Patent Infringement on Patent No. 5,633,435; Count III – Breach of Contract; Count IV – Conversion; and Count V – Unjust Enrichment contained in Monsanto Company's Amended Complaint.

[Handwritten order by United States District Judge –

So Ordered.

Counts I, III, IV and V are dismissed with prejudice
/s/ Catherine D. Perry 4/26/05]

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on April 25, 2005, the foregoing was hand delivered to the following:

Jim D. Waide, III

/s/ Joseph C. Orlet